

JANUARY 21, 2005
Reclamation and Development Grants Program
Long-Range Planning Subcommittee

This testimony is in **support** of both of the Teton County and Pondera County Oil & Gas Well Plug & Abandon Projects - HB7 (Primary Sponsor-Tony Belcourt))

Chairman McNutt, Committee Members:

I am Corrine Rose - I am the sanitarian for both Teton and Pondera Counties. The purpose of requesting this grant is to provide cost sharing assistance to small oil and gas producers for properly plugging and abandoning non-productive wells.

The goal of this project is to reduce the number of non-productive wells in the oil fields of both Counties. These wells do not contribute to the local economy or tax base, they are a liability to the producer and they are an every-increasing environmental contamination risk. It is my understanding that the primary funding source for this program is the interest income from the Resource Indemnity Trust Fund. This fund receives proceeds from taxes levied on mineral production. Allowing producers to utilize these funds to cost share plugging and abandonment operations will reduce the likelihood of the Board of Oil and Gas and the State of Montana or **The Taxpayers** having to pay the costs if the producers forfeit their bonds and walk away from these wells.

This Grant is only available to producers who are in good standing with the Board of Oil and Gas, BLM and DNRC/State Lands. Producers will be reimbursed \$1.60 per foot of plugged back depth for oil or gas wells (\$2.00 if surface restoration is required) and \$1.25 per foot for injection wells. Gary Klotz, Bd of O & G Field Inspector, gave me the following estimate of costs to properly plug a well: If conditions allow the producer to "redimix" the well it would be near the \$1/ft estimate. If plugging with a rig and cement pump truck through tubing, it would be closer to \$3/ft and it can easily cost a lot more if mechanical problems within the well exist. These costs do not include the producer's labor and equipment.

The MT Board of Oil & Gas has 257 wells listed in Pondera Co. and 127 listed in Teton as Shut In, Abandoned, or Temporarily Abandoned, and the

majority of these wells are in need of proper plugging and abandoning. Based upon the information received from producers supporting this grant, we currently have 42 wells in Pondera County and 16 wells in Teton County that producers are hoping to plug.

In 2000 Pondera County successfully wrote and administered a MT Reclamation & Development Grant in the amount of \$100,000. Six Pondera County oil and gas well producers participated in this grant and a total of fifty-six wells were properly abandoned. The reimbursement to these producers totaled \$99,995.00. We paid \$5.00 to have a public notice put in our local newspaper. Back then the reimbursement was 75¢ per plugged back foot.

In 2004 Pondera Co. again administered a grant in the amount of \$100,000 – 20 wells were properly abandoned (the entire amount was paid to the producers). Teton also received a grant in the amount of \$50,000 of which \$49,838 was paid to producers to plug 9 wells. The remaining \$162 was not spent.

I would like to thank you for your time in considering both the Pondera and Teton County request for the Reclamation & Development Grants and do not hesitate to contact me if you have any questions.

Corrine Rose, RS
Teton County (466-2150),
Pondera County (271-4036),
crose@3rivers.net